



FACT SHEET

Supreme Court Ruling on the Patient Protection and Affordable Health Care Act ("ACA")

On June, 28, 2012, the Supreme Court issued its ruling upholding the health reform law (Affordable Care Act).

Key Challenges to the Law

- **Individual Mandate:** the Court ruled that the individual mandate in the law, the provision requiring Americans to purchase health coverage or pay a fine, was constitutional.
- **Medicaid expansion:** the Court ruled that states could refuse additional federal money to expand their Medicaid program, without losing the funding they currently receive for their existing Medicaid program. This will be a change to the law favoring states' rights.

The National Association for the Self-Employed has consistently drawn attention to the question of affordability of health insurance for individuals, particularly the self-employed and micro-businesses. Please see below the pros and cons of the law for self-employed Americans.

Pros

- **Tax Credits To Assist with Premium Costs:** Small businesses with fewer than 25 employees and average annual wages of less than \$50,000 that purchase group health coverage for their workers are eligible for a tax credit of up to 35% for tax years 2010 through 2013. Small business owners must contribute at least 50% of the total premium cost for workers to qualify. The credit will be increased in subsequent years once the new health marketplaces, known as Exchanges, are created in 2014. For the self-employed, if you are an individual making below \$43,320 or a family of four with income below \$88,200 you will qualify for health tax credit starting in 2014.
- **Insurance Market Reforms:** Insurance companies are no longer be able to deny coverage to children with preexisting conditions and children are also now permitted to remain on parents' policies until age 26. Insurance companies are also prohibited from putting lifetime limits on dollar value of coverage and rescinding coverage except in cases of fraud. In 2014, insurance companies will no longer be able to deny coverage to anyone due to their health status or a preexisting condition.
- **Creation of Health Marketplaces known as Exchanges:** States are required to create insurance pooling mechanisms known as Exchanges to increase competition in the insurance market and improve the accessibility and affordability of coverage for individuals, the self-employed and small businesses.



Cons

- **Assistance with Affordability for the Self-Employed:** As mentioned above, the self-employed will get a tax credit if they fall within certain income requirements. However, while small businesses get immediate assistance, the self-employed must wait until 2014. Additionally, the only way to access the tax credit is if a self-employed business owner drops the insurance they have and buys coverage in the newly created state-based Exchanges. This requirement makes it difficult for the self-employed to keep the coverage they have if they like AND get assistance with affordability.
- **New Benefit Requirements Add to the Cost of Coverage:** Under the law, the Department of Health and Human Services will create a new essential health benefits package which would provide for a comprehensive set of services. All insurance must have benefits equal to or greater than the new essential benefits package. The self-employed will now have access to more comprehensive, but also more expensive health insurance. The Congressional Budget Office found that those in the individual market such as the self-employed would be paying anywhere from 10 percent to 13 percent higher in premium costs after reform is fully implemented in 2014.
- **Mandates Requiring the Purchase of Coverage:** With the Supreme Court ruling, all Americans, including the self-employed, will be required to have qualifying health coverage or pay a tax penalty. Exemptions will be granted for financial hardship, religious objections, and other qualifying factors. In small businesses with more than 50 employees that do not provide coverage to workers, the business owner will be required to pay a fee per employee. Those businesses with less than 50 employees are exempt from the employer mandate.

Next Steps

As the implementation of the ACA moves forward, the NASE will continue to work to ensure that America's smallest businesses have a voice in the implementation process and to pass legislation to fix and improve the Affordable Care Act as it relates to lowering the cost of health insurance.

The NASE has identified three key areas of we believe are the most important for the self-employed:

1. The regulations relation to creation of Exchanges, State and Federal;
2. Defining Essential Health Benefits;
3. Passing legislation to lower costs: permanent self-employment tax deduction for health insurance, expansion of Health Reimbursement Arrangements, improving and expanding high deductible health plan options, etc.

For more information and to get involved, please visit NASE's website:
<http://www.nase.org/YourVoiceInDC.aspx>